

David H.S. Commins (CSBN 124205)  
Kenneth C. Webster (CSBN 179058)  
COMMINS & WEBSTER, P.C.  
400 Montgomery Street, Suite 200  
San Francisco, CA 94104  
Tel (415) 391-6490  
Fax (415) 391-6493  
david@commins.com  
ken@commins.com

Attorneys for Plaintiff  
Shoreline Capital Management, Ltd.

UNITED STATES DISTRICT COURT  
NORTHERN DISTRICT OF CALIFORNIA  
SAN JOSE DIVISION

JW CV 08 0121

SHORELINE CAPITAL MANAGEMENT,  
LTD., a British Virgin Islands company  
limited by shares,,

No.

Plaintiff,

vs.

XIAOBING SUN, an individual, also known  
as DANIEL SUN,

SHORELINE CAPITAL MANAGEMENT,  
LTD.'S *EX PARTE* APPLICATION FOR  
TRO AND OSC RE PRELIMINARY  
INJUNCTION, AND FOR ORDER  
GRANTING LEAVE TO CONDUCT  
EXPEDITED DISCOVERY

Defendant.

Shoreline Capital Management, Ltd. (Shoreline) hereby applies to the Court for a Temporary Restraining Order and Order to Show Cause re Preliminary Injunction, and for an Order Granting Leave to Conduct Expedited Discovery.

1. Shoreline is a British Virgin Islands company limited by shares with its principal place of business in Guangzhou, China that conducts business in China through its wholly owned subsidiary, Shoreline Capital Consulting (Shenzhen) Co., Ltd. (Shoreline (Shenzhen)). Shoreline is a private investment firm that manages assets for institutional investors through investments in distressed assets in China. All of its investors are in the United States and some of its largest investors are in San Francisco. (Accompanying Declaration of Benjamin Fanger, ¶¶ 2-4.)

2. Shoreline has a unique business model. Its primary asset is a particular financial model (the Shoreline Pricing Model) that took three and one-half years to develop, including many hundreds of hours by skilled and experienced financial people and hundreds of thousands of dollars. It has used this single model to invest over 76 million dollars in loans with principal balances of over 1.5 billion dollars. All of its deals are based on this financial model, which is articulated in the form of an Excel spreadsheet. (Fanger Decl., ¶¶ 2-4.)

3. Shoreline employs over 25 people who work mostly in China with its wholly owned subsidiary, Shoreline (Shenzhen)<sup>1</sup>, but two of whom work principally in Campbell, California. (Fanger Decl., ¶ 2.) Most have executed non-disclosure agreements (NDAs) and, as part of their employment agreements, have countersigned employment agreement letters. In those letters they have agreed not to resign and, within a period of two years following their departure from Shoreline, compete with Shoreline in the non-performing loan or distressed real

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<sup>1</sup> Guangzhou United (GU) is the onshore agent of Shoreline Shenzhen and officially employees Shoreline Shenzhen's workers. GU's agency contract with Shoreline Shenzhen is for the sole purpose of employing Shoreline personnel and it is 100% funded by Shoreline. (See, for example, Declaration of Linlin Gong, ¶ 1.)

1 estate investment area in China. And all of these employees have agreed to keep strictly  
2 confidential all corporate documents, files, business-secrets and know-how. (Fanger Decl., ¶ 5.)  
3 What is more, all of Shoreline's employees, including Mr. Sun, have received the Employment  
4 Handbook. (Fanger Decl., ¶¶ 5 and 13; Declaration of Weihong Ye, ¶ 3; Declaration of Yonghui  
5 Wu, ¶ 3; Declaration of Wei Wang, ¶ 3; Declaration of Linlin Gong, ¶ 3.)

6  
7 4. Shoreline included strong confidentiality language in its Employment Handbook  
8 to give notice of the highly confidential nature of its proprietary information to its employees.  
9 (Fanger Decl., ¶ 5.) It requires employees to avoid conduct that could harm the company and  
10 prohibits use of Shoreline's name except when doing business for Shoreline:

11  
12 Article 8: Employee Conduct: Employees should use professional judgment and  
13 avoid any conduct that violates or potentially harms the best interests of the  
14 Company. Without prior approval, employees must only use the Company's  
15 name or their titles when doing business for the Company.

16  
17 The Employment Handbook also requires employees to maintain the confidentiality of  
18 Shoreline's proprietary and trade secret information:

19  
20 Article 9: Confidentiality: Employees shall follow and implement the Company's  
21 confidentiality rules at all times. All information obtained by employees,  
22 including, but not limited to, asset/portfolio information, debtor information, asset  
23 servicing strategies, debt collection status, models and forms of any kind used by  
24 the Company, investment return models, evaluation models and all other related  
25 information cannot be revealed to persons outside the team, including any other  
26 employees within the Company that are not directly related to the cases in which  
27 the information is used. [A translation (from Mandarin) of these portions of the  
28 Handbook is attached as Ex. D to the Fanger Decl.]

1           5.       Over the last four years, Shoreline has developed relationships with sellers of  
2 distressed assets in China. In particular, it has developed close relationships with each of the  
3 four state-owned asset management companies that are the only institutions permitted to sell  
4 distressed debt at a discount in China. Two of these, Huarong Asset Management Company  
5 (Huarong) and Cinda Asset Management Company (Cinda), are particularly inclined to work  
6 with Shoreline because Shoreline has purchased multiple portfolios from each of them. As part  
7 of its deal sourcing activities, Shoreline has set up a deal sourcing team that has created a list of  
8 potential portfolios for investment (Potential Investment List). (Fanger Decl., ¶ 4.)

9  
10           6.       Shoreline's owners have always considered the Shoreline Pricing Model, the  
11 Potential Investment List and other company documents to be highly confidential proprietary  
12 trade secrets. Because they are the primary tools in its business, the owners have always closely  
13 guarded them and have required confidentiality agreements to be signed by any person that was  
14 shown the documents. (Fanger Decl., ¶ 5.) Most, if not all of those working at Shoreline or  
15 Shoreline Shenzhen fully understood the importance of maintaining the secrecy of Shoreline's  
16 proprietary information, as well as the efforts that Shoreline's owners and managers undertook to  
17 maintain that secrecy. (Gong Decl., ¶¶ 3-5; Wu Decl., ¶¶ 3 and 4; Wang Decl., ¶¶ 3-5;  
18 Declaration of Linyu Yang, ¶ 2.)

19  
20           7.       Shoreline found Mr. Sun when he was a graduate student at the University of  
21 Chicago and Mr. Fanger, who is a principal of Shoreline, began to recruit him in this District  
22 where he, Mr. Sun, resided. (Mr. Sun was attending weekend classes in Chicago.) (Fanger  
23 Decl., ¶ 6.) All interviews and meetings between Mr. Sun and Shoreline during the recruiting  
24 process were conducted in or near Campbell, California. (Fanger Decl., ¶¶ 6 and 7.)

25  
26           8.       On or about January 26, 2007, while Shoreline was recruiting Mr. Sun, it asked  
27 him to sign a standard NDA and he did so. (Fanger Decl., ¶ 7.) The NDA stated that Shoreline  
28 would provide valuable information to Mr. Sun:

1 [T]he Company has agreed to provide certain information to the Interested Party  
2 concerning the opportunity, which information includes certain confidential and  
3 proprietary information that is valuable to the Company, and is the exclusive  
4 property of the Company.

5  
6 In exchange for receiving this valuable confidential information, Mr. Sun agreed that all non-  
7 public information he received from Shoreline would be deemed confidential:

8  
9 All information, documents and other communications furnished by the Company  
10 to the Interested Party ("Proprietary Information") shall be deemed confidential.  
11 Proprietary Information shall not include any information which becomes  
12 generally available to the public other than as a result of disclosure by the  
13 Interested Party in breach of this Agreement, information already in the Interested  
14 Party's possession or information from a source not known to be bound by an  
15 Agreement.

16  
17 And Mr. Sun agreed not to disclose any confidential information he received:

18  
19 Unless otherwise agreed to in writing by the Company or as may be required by  
20 law or legal process, neither the Interested Party nor any of its affiliates or  
21 representatives will use, disclose or reveal any Proprietary Information for any  
22 purpose other than in direct connection with assessing the potential employment  
23 opportunity with the Company. [A copy of the NDA is Ex. A to the Fanger Decl.]

24  
25 9. While Shoreline was recruiting Mr. Sun, but after he had signed the NDA, it  
26 disclosed to him the details of the Shoreline Pricing Model. This was consistent with Shoreline's  
27 normal business practice; it has never knowingly shown the Shoreline Pricing Model to anyone  
28

1 who was not first made aware that it constituted confidential and proprietary information that  
2 was not to be disclosed outside Shoreline. (Fanger Decl., ¶¶ 5 and 8.)

3  
4 10. Following the recruiting process, Shoreline offered Mr. Sun a job as a Portfolio  
5 Manager in Training. Its offer to him was memorialized in a March 1, 2007 letter. (Fanger  
6 Decl., ¶ 9 and Ex. B.) That letter explained that Mr. Sun would be located in Shoreline's  
7 Guangzhou office with its subsidiary, Shoreline (Shenzhen). It set forth the areas of business he  
8 would be expected to learn and master. It specified that he would not resign to compete with  
9 Shoreline and that he would keep confidential the company's proprietary and trade secret  
10 information:

11  
12 You hereby also agree to not resign to compete or work for any competitor  
13 involved in non-performing loan[s] or distressed real estate investment[s] in  
14 China for a period of two years following your departure from Shoreline unless  
15 agreed to in writing by the company. You also agree to keep strictly confidential  
16 all corporate documents, files, business secrets and know-how.

17  
18 Mr. Sun countersigned this letter on March 5, 2007 and promptly delivered a copy of it to Mr.  
19 Fanger in Campbell, California. (Fanger Decl., ¶ 9.) Mr. Sun started working at Shoreline on  
20 March 28, 2007 and has not formally resigned or been fired. (Declaration of Xiaolin Zhang, ¶ 2.)

21  
22 11. Mr. Fanger also recruited Qiang Du from the University of Chicago. While  
23 Shoreline was recruiting Mr. Du, it asked him to sign a standard NDA and he did so on March  
24 13, 2007. (Fanger Decl., ¶ 8.) Following the recruitment process, Shoreline also offered Mr. Du  
25 a job as a Portfolio Manager in Training, and Mr. Du also signed an Offer Letter just as Mr. Sun  
26 had done. (Fanger Decl., ¶ 10 and Ex. C.)

27  
28 12. By their terms, both Offer Letters were to serve as employment agreements and

1 each also included confidentiality and non-compete provisions. (Fanger Decl., ¶ 11.) Shoreline  
2 included non-compete provisions in the agreements precisely because neither Mr. Sun nor Mr.  
3 Du had prior work experience in the fund management business, and Shoreline wanted to avoid  
4 the possibility that it would spend time and money providing them with proprietary know-how  
5 only to have them leave and use that knowledge to compete directly with Shoreline. (Id., ¶ 12.)  
6

7 13. Shortly after Mr. Sun executed the employment agreement letter, he began  
8 working for Shoreline mostly in Guangzhou, China. He received a copy of the Employment  
9 Manual and was informed that he was obliged to become familiar with its contents, and the  
10 company lent to Mr. Sun a company-owned laptop onto which he copied many confidential and  
11 proprietary files in the course of his work at Shoreline. (Fanger Decl., ¶ 13.)  
12

13 14. In the course of his employment, Mr. Sun was permitted to view and became  
14 familiar with Shoreline's business model and the Shoreline Pricing Model on which it was based,  
15 and was introduced to its most important investors in the United States, as well as to bankers and  
16 asset management companies in China from whom Shoreline acquires loan portfolios. He also  
17 became familiar with its employees, and he was allowed to become familiar with Shoreline's  
18 actual and prospective asset/portfolio deals and customers in China.  
19

20 15. Between March and July 2007, Mr. Sun worked for Shoreline. Then, at the end of  
21 July he purportedly left for vacation, though he never returned. On a Sunday in early August,  
22 Mr. Fanger had lunch with Mr. Sun in Guangzhou, China. During the lunch Mr. Sun informed  
23 Mr. Fanger that he was considering leaving the company. Mr. Sun asked Mr. Fanger if he  
24 wanted to terminate Mr. Sun. Mr. Fanger informed Mr. Sun that Shoreline did not want to  
25 terminate him and hoped he would stay, provided he come back from vacation leave and do his  
26 best to achieve the seven job requirements outlined in the Offer Letter. Mr. Fanger also asked  
27 him what he would do if he did leave Shoreline and Mr. Sun stated he would probably do some  
28 kind of investment business work. Mr. Fanger told him that if he did so, Mr. Fanger would be

1 happy to source capital for his deals as long as they were not within the distressed asset market in  
2 which he had agreed not to compete. (Fanger Decl., ¶ 15.)

3  
4 16. Instead of returning to Shoreline, Mr. Sun and Mr. Du set up a new company  
5 called Asia Long Term Investment, or Asia LTI (or Rongten Investment Co. in Chinese), in  
6 Guangzhou, China, where Shoreline has its headquarters. Asia LTI was designed to do precisely  
7 the same business as Shoreline in the distressed debt market, precisely the same field in which  
8 Shoreline operates, in the same geographic market. (Mr. Du did not leave Shoreline until  
9 September 2007, but began to work with Mr. Sun to set up Asia LTI before that time.)

10  
11 17. It has become clear now that during much of the time Mr. Sun was working at  
12 Shoreline, he was planning and developing the beginnings of a competing business. During his  
13 tenure at Shoreline, Mr. Sun asked to be introduced to the presidents the Chinese state-owned  
14 asset management companies from whom Shoreline acquires its loan portfolios. He even  
15 suggested that one of Shoreline's partners travel with him to meet these executives. He also  
16 asked to be trained regarding U.S. dollar repatriation issues which would be key to setting up a  
17 similar investment fund. No other employees in Shoreline had ever asked to do these things.  
18 This behavior was strange for a new employee who knew little about the non-performing loan  
19 business. (Zhang Decl. ¶2.) Mr. Sun often asked other Shoreline staff for information, data and  
20 contacts that he had no use for unless he intended to raise his own investment fund. For  
21 example, he repeatedly asked Mr. Fanger and others for a copy of Shoreline's new fund's Private  
22 Placement Memorandum. (Fanger Decl., ¶ 14; Zhang Decl. ¶ 3.) He also discussed the  
23 formation of a competing business with one of Shoreline's senior asset managers, Yonghui Wu.  
24 While Mr. Sun was an employee at Shoreline, he told several employees that it would be easy for  
25 him to raise a similar fund and source deals in China. (Zhang Decl. ¶3.) On July 17, 2007 Mr.  
26 Sun suggested to a Shoreline partner that he should be in charge of communication with sellers,  
27 investors, limited partners and co-investors in Shoreline. (All these responsibilities would be key  
28 to setting up a fund like Shoreline's. (Id., ¶4.) Indeed, in September 2007, he told employees at



1 Shoreline that, together with a Beijing lawyer, he was preparing to purchase an asset portfolio  
2 from Cinda. (Yang Decl., ¶ 4(2)-(3).) Mr. Wu relates the following telephone conversation from  
3 July 2007 (while Mr. Sun was still employed by Shoreline):

4  
5 Mr. Sun: “Yonghui, It’s my feeling that people in favorable circumstances don’t  
6 take risks, am I right?”

7  
8 Mr. Wu: “What? I’m in the subway, I’m not sure I understand you.”

9  
10 Mr. Sun: “What I mean is, you’re the person in charge of the “#1233” portfolio, so  
11 you wouldn’t be willing to start a competing business, would you?”

12  
13 Understanding him to have the intent that Mr. Wu join him to start a competing  
14 business, Mr. Wu answered: “I don’t think that being in charge of portfolio  
15 “#1233” constitutes favorable circumstances. But since I took on the  
16 responsibility of managing it, I’m certainly going to stick to it.”

17  
18 Mr. Sun: “Oh, well then, we’ll have to talk later. Goodbye.”

19  
20 Mr. Wu: “Goodbye.”

21  
22 [Wu Decl., ¶ 5.]<sup>2</sup>

23  
24  
25  
26  
27  
28 <sup>2</sup> District Courts can rely on hearsay evidence at the temporary restraining order or preliminary injunction stage of litigation. *Republic of the Philippines v. Marcos*, 862 F. 2d 1355, 1363 (9th Cir. 1988); *Michaels v. Internet Entertainment Group*, 5 F. Supp. 2d 823, 832 n.2 (C.D. Cal. 1998).

1           18.     Operating as Asia LTI, a company that is not yet registered to do business in  
2 China, Mr. Sun and Mr. Du began to contact Shoreline's investors in this District and other  
3 locations in the U.S. as well as bankers and asset managers in China who are among Shoreline's  
4 most important contacts. (Declaration of Deguang Zheng, ¶¶ 2-4<sup>3</sup>; Declaration of Haiqiang  
5 Huang, ¶¶ 2 and 3<sup>4</sup>; Declaration of Yan Wen, ¶¶ 2 and 3.)<sup>5</sup>

6  
7           19.     Messrs. Sun and Du also attempted to recruit employees from Shoreline to come  
8 to work for Asia LTI, including senior asset manager Yonghui Wu (Fanger Decl., ¶ 17 and Ex. E;  
9 Wu Decl., ¶ 5.), and asset manager Haiqiang Huang. (Huang Decl., ¶ 3.)

10  
11           20.     And up until September 18, 2007, when they were establishing Asia LTI, and  
12 despite Shoreline's requests for him to return it, Mr. Sun kept Shoreline's laptop computer that  
13 held its confidential and trade secret information. (Fanger Decl., ¶ 16; Yang Decl. ¶ 3.)

14  
15           21.     By e-mail and other means, Mr. Sun has solicited other investors in Shoreline in  
16 the United States, including Asia Alternatives in San Francisco. Asia Alternatives is a fund of  
17 funds that has committed to invest 15 million dollars in Shoreline's presently open fund, as well  
18 as an additional 10 million dollars from the California Public Employees' Retirement System,  
19 one of Shoreline's most important investors, and others. (Fanger Decl., ¶ 18; Zhang Decl., ¶ 5.)

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20  
21  
22           <sup>3</sup> Mr. Sun contacted people at Hurang, a very important sourcing client for Shoreline and attempted to  
23 convince them not to speak to anyone at Shoreline other than himself, even though he was no longer an employee of  
24 Shoreline at the time.

25           <sup>4</sup> Mr. Sun contacted Cinda, a very important sourcing client for Shoreline and attempted to acquire a  
26 portfolio of loans from it.

27           <sup>5</sup> Under the pretense of being employed by Shoreline, although he was not employed at the time, Mr. Sun  
28 convinced Hurang District Supervisor Shuikang Sun to meet with him to discuss potential portfolio deals (with  
another former Shoreline employee named Jianping Zhou) After the meeting, Messrs. Zhou and Xiaobing Sun told  
Shuikang Sun that they were not with Shoreline anymore and handed him a business card with a different company's  
name on it.

22. On November 11, 2007, Mr. Sun sent a PowerPoint presentation to Valerie Cooper of Asia Alternatives outlining Asia LTI's new operation. (Fanger Decl., ¶¶ 18 and 21.) The PowerPoint presentation attached to that e-mail is dated August 2007, a month in which Mr. Sun was still an employee at Shoreline. (Fanger Decl., ¶ 21.) It markets Mr. Sun's new business by outlining substantial amounts of Shoreline's proprietary and confidential know-how and also information on debt pricing that is based on Shoreline's Pricing Model. (Id.) It contains false statements about Mr. Sun's employment at Shoreline and includes a list of deals on the last page that are deals from Shoreline's Potential Investment List which deals were sourced by Shoreline before Mr. Sun joined the firm. (Fanger Decl., ¶ 22.) The e-mail itself is a solicitation to Asia Alternatives. (Fanger Decl., ¶ 18 and Ex. F (Shoreline's deal prospect list from the PowerPoint's last page is Ex. H to the Fanger Decl.)

23. Together with Mr. Du, Mr. Sun solicited a meeting with Ms. Cooper in Beijing, and Ms. Cooper actually met with Mr. Du as a result of that solicitation. (Fanger Decl., ¶ 19.)

24. On November 29, 2007 Mr. Sun e-mailed a substantially similar PowerPoint presentation outlining the new operation of Asia LTI to the Washington State Investment Board (the WSIB), an entity in the United States that has committed 20 million dollars with Shoreline and is one of Shoreline's most important customers. (Fanger Decl., ¶ 20 and Ex. G.) The PowerPoint presentation that Mr. Sun sent to the WSIB is dated August 2007, showing that it was developed and used to contact Shoreline's customers even while Messrs. Sun and Du were still Shoreline employees. (Fanger Decl., ¶ 21.) That PowerPoint presentation shows that the business model on which Asia LTI is based stems largely or entirely from Shoreline's confidential and proprietary financial model and other trade secrets. (Id.) It also includes a direct reference to a confidential deal that Shoreline closed that bore the code name "#1233"; the "Portfolio Pricing" process described in it is exactly the same as Shoreline's pricing process, as set forth in the Shoreline Pricing Model; it identifies Messrs. Sun and Du as having been Portfolio Managers when this was a title neither had obtained with Shoreline; and it lists a

1 number of deals that were developed at Shoreline and the existence of which was part of  
2 Shoreline's confidential information. (Fanger Decl., ¶ 22.)

3  
4 25. During a meeting with Shuikang Sun at Huarong's offices, Shoreline asset  
5 manager Deguang Zheng (along with colleague Yan Wen) learned from Shuikang Sun that  
6 because he believed Xiaobing Sun to be a member of Shoreline, he had allowed Xiaobing Sun to  
7 visit him at Huarong's offices and to receive information on a 29-borrower portfolio of loans, on  
8 which Xiaobing Sun proceeded to do due diligence as part of an attempt to close an investment  
9 transaction for investors unrelated to Shoreline and unknown to Shoreline. (Zheng Decl., ¶ 5;  
10 Yang Decl., ¶ 4(1).)

11  
12 26. Apparently, the due diligence done in Huarong's offices took about one week, and  
13 Mr. Sun was joined in this work by Jianping Zhou who is a former employee of Shoreline.  
14 (Zheng Decl., ¶ 5.) That due diligence was completed using Shoreline's laptop, financial models  
15 and other analysis tools, which Xiaobing Sun still had at the time of the visit to Huarong. And,  
16 as a result of their work on this portfolio, Messrs. Sun and Du were paid a fee by the investor  
17 whom they represented; that the investor bought the portfolio. (Id., ¶ 6.)

18  
19 27. A significant part of the models and reports used in the due diligence are the same  
20 as Shoreline's financial models used in the acquisition of portfolio "#1233", which are  
21 Shoreline's proprietary and confidential trade secrets. (Zheng Decl., ¶ 7; Yang Decl., ¶¶ 4(4)-  
22 (5).)

23  
24 28. A former employee of Shoreline named Feng Lin, who went to work for Asia LTI  
25 (Zhang Decl., ¶ 7), has admitted to Shoreline that Mr. Sun, Mr. Du and two others participated in  
26 due diligence on non-performing loans at both Huarong and Cinda. These activities were  
27 conducted under the Chinese name for Asia LTI, Rongteng Investment Co. (Yang Decl., ¶ 4(5).)  
28 Further, while working with Mr. Sun at Rongteng, Mr. Lin saw Mr. Sun keep Shoreline's

1 financial models, Excel spreadsheets and loan documents in his (or Shoreline's) laptop computer.  
2 When Mr. Lin saw those materials in the laptop, Mr. Sun had already left Shoreline and started  
3 working for Rongteng. (Zhang Decl., ¶ 7.)

4  
5 29. Apparently, Mr. Sun even sent Shoreline's portfolio files, pricing materials and  
6 financial analysis models to one of his friends working at Goldman Sachs in order to convince  
7 that friend to join Rongteng. (Zhang Decl., ¶6.)

8  
9 30. And one of the smaller owners of Asia LTI, Jianping Zhou, has expressed the  
10 desire to sell Shoreline's financial models, loan files from previous portfolios, and other  
11 proprietary and trade secret information. (Yang Decl., ¶ 4(5).)

12  
13 31. In December 2007, two Shoreline limited partners notified Shoreline that Mr. Sun  
14 and Mr. Du had contacted them. Messrs. Sun and Du had become acquainted with these limited  
15 partners while they were at Shoreline when these limited partners had visited Shoreline's  
16 Guangzhou office. In e-mails to one of Shoreline's limited partners, Mr. Sun claimed that he had  
17 set up his own fund doing the same business as Shoreline. (Zhang Decl., ¶5.)

18  
19 32. On December 20, 2007, both Mr. Sun and Mr. Du claimed to be co-founders of  
20 Rongteng Investment Co., or Asia LTI, in a Private Placement Memorandum they sent to  
21 Shoreline's limited partners. (Zhang Decl., ¶6.)

22  
23 33. Shoreline believes that Messrs. Sun and Du have contacted numerous other  
24 investors connected to Shoreline. (Fanger Decl., ¶ 23.)

25  
26 33. Mr. Fanger met with Mr. Sun on December 5, 2007 to attempt to dissuade him  
27 from continuing to disseminate Shoreline's confidential proprietary information, and to convince  
28 him to adhere to the terms of his NDA and employment letter. On that day, he informed Mr.

1 Fanger that he was competing in non-performing loans and distressed real estate in China, the  
2 exact areas that he expressly agreed not to compete in when he signed the employment offer  
3 letter on March 5, 2007. He claimed that he should be allowed to compete since he felt he had  
4 been essentially terminated by Shoreline. But he admitted that Shoreline never told him he was  
5 terminated and his e-mail to Mr. Gantt on November 29 confirms that he left of his own volition:  
6 “Since I don’t feel it’s culture is a good fit for me working at Shoreline, I left before being  
7 transformed into a formal employee, then I started a firm with a local lawyer.” (Fanger Decl., ¶  
8 23 and Ex. G thereto.)

9  
10 34. During the December 5, 2007 meeting Mr. Sun did not agree to cease his actions.  
11 Instead, he tried to convince Mr. Fanger to join him in his new competing venture. (Fanger  
12 Decl., ¶ 24.)

13  
14 35. In the course of trying to induce Mr. Fanger to come to work for Asia LTI, Mr.  
15 Sun sent Mr. Fanger an Excel spreadsheet that purported to articulate Asia LTI’s financial model.  
16 It was identical to the confidential and proprietary Shoreline Pricing Model, except that in place  
17 of Shoreline’s name, Mr. Sun had added Asia LTI. (Fanger Decl., ¶ 25.)

18  
19 36. Because Mr. Fanger expressed doubts about Mr. Sun’s ability to analyze and price  
20 assets, in the meeting on December 5, 2007, Mr. Sun showed him financial models on Mr. Sun’s  
21 personal laptop that he stated he had used to price several portfolios for a Chinese investor. He  
22 stated he had been paid for this service by the Chinese investor. (Later, after reading the  
23 declaration of Shoreline employee Deguang Zheng in this case, Mr. Fanger realized that the  
24 portfolio he was referring to was the same Huarong portfolio that was prepared in August with  
25 Shoreline’s models.) In the course of opening Excel files on his laptop, Mr. Sun admitted to Mr.  
26 Fanger that he used these files to do analysis on new distressed asset portfolios. Mr. Fanger  
27 viewed the details of the Excel files for upwards of ten minutes and saw that they contained the  
28

1 same pricing techniques used in Shoreline's pricing of portfolio "#1233," which Mr. Sun was  
2 involved with servicing while he was at Shoreline. (Fanger Decl., ¶ 26.)

3  
4 37. On January 6, 2008, Mr. Fanger called Valerie Cooper at Asia Alternatives to  
5 confirm that she had been solicited by Mr. Sun. (Fanger Decl., ¶ 27.)

6  
7 38. On January 8, 2008, Mr. Fanger met with Mr. Sun to ask him one last time  
8 whether he intended to stop his improper competition and use of Shoreline's confidential  
9 information. Mr. Sun indicated no such intention. (Fanger Decl., ¶ 28.)

10  
11 39. Shoreline is presently in the process of closing a fund. As it heads for a first  
12 closing in mid January 2008 and further closings in February and March, Mr. Sun's and Asia  
13 LTI's contacts with Shoreline's investors and dissemination of Shoreline's trade secrets and  
14 confidential and proprietary information, as well as its solicitations of its investors based on  
15 Shoreline's financial model are interfering with Shoreline's ability to complete this important  
16 business.

17  
18 Therefore, Shoreline seeks the following temporary injunctive relief and order:

19  
20 A. A Temporary Restraining Order enjoining and restraining Defendant Xiaobing  
21 Sun, directly or indirectly, whether acting alone or in concert with others,  
22 including any officer, agent representative, or employee of Asia LTI from:

- 23  
24 1. Soliciting any business from any Shoreline client, customer or vendor  
25 whom Defendant Sun served during his employment with Shoreline, or  
26 any other client, customer or vendor whose name became known to  
27 Defendant Sun while in the employ of Shoreline (for purposes of this  
28 Order, Shoreline shall include Shoreline Capital Management, Ltd., as

1 well as its wholly owned subsidiary, Shoreline Capital Consulting  
2 (Shenzhen) Co., Ltd. (Shoreline Shenzhen), and Guangzhou United, the  
3 onshore agent of Shoreline Shenzhen.

4  
5 2. Contacting for business purposes, whether in person, through others, by  
6 telephone or in writing, any client, customer or vendor of Shoreline whom  
7 Defendant Sun served during his employment with Shoreline, or any other  
8 client, customer or vendor whose name became known to Defendant Sun  
9 while in the employ of Shoreline;

10  
11 3. Soliciting for employment any current employee of Shoreline;

12  
13 4. Using, disclosing, or transmitting for any purpose (including but not  
14 limited to the solicitation of said clients, customers, vendors and  
15 employees of Shoreline), the names, addresses, telephone numbers, and  
16 other contact information as well as any financial information of any of  
17 said clients, customers, vendors and employees of Shoreline, any  
18 information contained in Shoreline's records, including but not limited to  
19 the financial model known as The Shoreline Pricing Model or The  
20 Shoreline Debt Pricing Model, and any of Shoreline's Potential Investment  
21 Lists.

22  
23 B. Ordering Defendant Xiaobing Sun to return to Shoreline as promptly as possible  
24 all originals copies, or other reproductions in whatever form of the names,  
25 addresses, telephone numbers, and other contact information as well as any  
26 financial information of any of Shoreline's clients, customers, vendors and  
27 employees, any information contained in Shoreline's records, including but not  
28



1 limited to the financial model known as The Shoreline Pricing Model or The  
2 Shoreline Debt Pricing Model, and any of Shoreline's Potential Investment Lists.

3  
4 C. Ordering Defendant Xiaobing Sun to return to Shoreline as promptly as possible  
5 all originals copies, or other reproductions in whatever form of any Shoreline  
6 document or other form of recorded information.

7  
8 D. Ordering Defendant Xiaobing Sun to return to Shoreline as promptly as possible  
9 any of Shoreline's computer equipment in his possession, custody or control, as  
10 well as any Shoreline computer software, hardware or data he may possess, have  
11 custody of or control.

12  
13 E. Ordering Defendant Xiaobing Sun promptly to make available for inspection by  
14 Shoreline or its expert all computer environments used by Defendant, including  
15 but not limited to desktop, laptop, and hand-held computers, personal digital  
16 assistants, cell phone address books and memos, whether they be utilized at Asia  
17 LTI, Defendant's residence or elsewhere.

18  
19 F. Keeping the temporary restraining order in full force and effect pending further  
20 order of the Court, and establishing a date for hearing on Shoreline's Motion for  
21 Preliminary Injunction, including Opposition and Reply filing dates.

1 G. Granting the parties leave to commence discovery immediately in preparation for  
2 the preliminary injunction hearing, and to conduct depositions of parties and  
3 employees and principals of Asia LTI on five days' notice (15 days' notice if the  
4 depositions are to occur outside the United States); and to require that responses  
5 to requests for documents be served within five days.  
6  
7

8 DATED: January 14, 2008.

COMMINS & WEBSTER  
Professional Corporation

9  
10 By: /David H.S. Commins/  
11 David H.S. Commins  
12 Attorneys for Plaintiff  
Shoreline Capital Management, Ltd.  
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